

SENATE BILL No. 384

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3-2.5; IC 6-3.1-20.

Synopsis: Income tax credits. Provides a refundable state tax credit for low income individuals equal to 20% of the federal earned income credit amount beginning in tax year 1999 (returns filed in 2000). Repeals the earned income deduction.

Effective: January 1, 1999 (retroactive).

Simpson

January 11, 1999, read first time and referred to Committee on Finance.

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Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

SENATE BILL No. 384

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 1999 (RETROACTIVE)]:

4 **Chapter 20. Earned Income Tax Credit for Individuals**

5 **Sec. 1.** As used in this chapter, "federal earned income credit"
6 means the credit provided under Section 32 of the Internal
7 Revenue Code.

8 **Sec. 2.** As used in this chapter, "state income tax liability"
9 means the total income tax liability incurred under IC 6-3 as
10 computed after application of the credits that under IC 6-3.1-1-2
11 are to be applied before the credit provided by this chapter.

12 **Sec. 3.** An individual taxpayer, including an individual
13 taxpayer's spouse in the case of a joint return, who receives a
14 federal earned income credit for a taxable year is entitled to a
15 credit against the taxpayer's state income tax liability for the
16 taxable year.

17 **Sec. 4.** The amount of a credit allowed under section 3 of this

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chapter for a taxable year is twenty percent (20%) of the federal earned income credit.

Sec. 5. (a) If the credit provided under this chapter exceeds the state income tax liability due from the taxpayer for the taxable year, the excess may be:

(1) used as a credit against the taxpayer's tax liability in subsequent taxable years; or

(2) refunded.

The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year.

(b) A taxpayer is not entitled to a carryback of an unused credit.

(c) A taxpayer is entitled to the credit under this chapter in addition to any other credits to which the taxpayer is entitled.

SECTION 2. IC 6-3-2.5 IS REPEALED [EFFECTIVE JANUARY 1, 1999 (RETROACTIVE)].

SECTION 3. [EFFECTIVE JANUARY 1, 1999 (RETROACTIVE)]

(a) IC 6-3.1-20, as added by this act, applies only to taxable years that begin after December 31, 1998.

(b) Notwithstanding the repeal of IC 6-3-2.5 by this act, deductions under IC 6-3-2.5 may be made for taxable years beginning before January 1, 1999.

SECTION 4. An emergency is declared for this act.

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